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BUSINESS CONDITIONS

Vol. 5 No. 6

JUNE, 1932

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	According to experience after Civil War, business recovery will precede price recovery; price rally likely not later than 1935, possibly last half of 1933 (June 18).	Area H— of Babsonchart should turn upward this year and rise considerably next year. As soon as Area H— turns, business will begin to increase (May 30).	Every phase of economic activity affected by general collapse since early March; impairment of confidence by agitation for unsound schemes the cause (June 20).	Turning point has been reached. Upward movement of major proportions in business and security prices now under way. Recovery will be sharp (June 17).	Recovery as business men of cut
MONEY AND CREDIT	Ending of large gold withdrawals encouraging augury. Fall expansion should find banks in position to extend credit free from pressure of drive on deposits (June 18).	Despite recent heavy outflow of gold, present banking measures have made available sufficient credit to carry business along when activity quickens (June 20).	Inflation destroys capital; leads to further deflation, deferred but intensified. Unless inflationary measures renounced, Western industry faces break-down (June 20).	Time fast approaching when Reserve system's policy will become effective. All ingredients present to bring about great expansion in member bank credit (June 17).	Policy bank analyst ther infla oppo
SECURITY MARKETS	Gold outflow put severe strain on security markets; had Reserve banks not eased force by open market operations, decline would have been more violent (June 18).	Rally may occur at any time in stocks; current low prices offer greatest bargains in years. Sharp rises in specific bonds likely (June 20).	Technical rally in stocks last week; bonds strong. Further technical advance in securities possible, but nothing in business to assure sustained rise (June 20).	Bottom of bear market reached. Greatest security bargains in history of country now available, but such bargains will not be available for long (June 17).	Security analyst mar tive (Jun
PRODUCTION	Factory output in April at new low for depression; probably now near bottom; slight upturn in Fall should mark beginning of slow but definite recovery (June 11).	May iron output 61% under last year; steel production 56% lower; beehive coke activity, lumber activity, automobile output 43%-53% below year ago (June 20).	Textile, shoe, clothing, lumber, metal and machinery lines hard hit (May 31). Steel operations lower than at bottom of 1921 depression (June 20).	Steel operations have apparently reached an irreducible minimum, continuing for many weeks at a rate of between 23% and 25% of capacity (June 3).	Construction stren indu since (Jun
DISTRIBUTION	After recovery in April, department store sales dropped back almost to depression low; no expansion likely before Fall, and if then, moderate (June 18).	Carloadings particularly disappointing (June 6). Trade as whole quiet, but summer goods gaining better market, especially in Atlantic Coast states (June 13).	Railroad traffic still declining. Unless tide turns soon, it will be difficult for Reconstruction Finance Corp. to see situation through (June 6).	Subnormal freight loadings indicate that very poor railroad earnings will shortly be recorded for May; little change in prospect for June (June 17).	Dis share trem prod lumb
BUILDING	In May, building contracts 19.4% above April, though 57.6% below year ago. No definite upturn in building in immediate prospect despite May increase (June 11).	There is a slight tendency for industrial building to revive, but total construction activity still shows little signs of betterment (June 20).	Temporary spurts in building activity may come, but any sustained improvement must await financial rehabilitation and restoration of economic health (May 31).	New construction at very low ebb. As soon as policy of Reserve system to ease credit becomes effective, sharp improvement in building to be expected (June 17).	Re gene ing. aggre vent
AGRICULTURE	Increase in carryover of Brazilian coffee will probably be more than offset by reduction in 1932 crop, which explains recent strength in market (May 26).	Winter wheat crop in U. S. estimated 44% below last year; cotton supply at record level; corn above five-year average; barley, oats, rye lower than average (June 6).	Surplus supplies of agricultural products will not be materially reduced unless crops badly damaged later in season. Huge corn and spring wheat crops possible (June 20).	Present prospects point to large gain in wheat output in Northwest and large decline in winter wheat areas (June 17).	In rece ulti ing 52% 11).
COMMODITY PRICES	Using price trend after Civil War as guide, long term price decline will end in 1953, with two upturns intervening; current slump to end not later than 1935 (June 18).	Still no assurance price decline over. Decreases in both agricultural and industrial price indexes; corn price lowest since 1897, cotton since 1848 (June 13).	Disruption of international price level and tremendous collapse of prices in U. S., as leading gold country, due to England's abandonment of gold standard (June 6).	Due to Reserve system's easy money policy, rising prices expected. Recent advance in sugar and relative firmness in wholesale prices significant (June 17).	P mal are reco (Jun
FOREIGN TRADE AND CONDITIONS	Germany at cross-roads; next election will tell whether present form of constitutional government to be preserved or military dictatorship established (June 11).	Redistribution of world gold supply will bring greater ease in world credit conditions; recent heavy gold withdrawals from U. S. by foreign countries favorable (June 20).	Irredeemable sterling world menace. Until restoration of gold standard in England probable, no basis for anticipating recovery in U. S. or abroad (June 6).	Net gain of more than \$5,000,000 in U. S. gold holdings on June 16, and further rise in dollar exchange indicates end of gold outflow (June 17).	W agai open talia our
LABOR AND WAGES	In April 200,000 factory workers lost their jobs; factory employment at new low. Total wages paid also at new low, 56.5% below peak in September, 1929 (June 4).	Second wage cuts spreading throughout industry; 257 such reductions in May, steel industry leading way. Factory employment 17.8%, payrolls 34.7% below year ago (June 6).	April manufacturing employment 18% below year ago; payrolls down 35% (May 31). In Great Britain, unemployment has increased this Spring (June 6).	Reports from various sections of country indicate widespread reduction in wages in building industry (June 17).	T tive tinu rail cert

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TRENDS AND FORECASTS

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1932

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SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>Recovery cannot develop so long as business must support government extravagance. Real balancing of our budget requires adequate cut in expenditures (June 20).</p>	<p>Real progress being made in banking, credit, bond market, national finance,—essential basis from which recovery possible (June 15).</p>	<p>It seems inevitable that some degree of liquidation will continue and recovery be retarded until investing confidence is restored by active measures (May 31).</p>	<p>General trade activity showed no improvement during May; most encouraging development during month was belated expansion in automobile manufacture (June).</p>
<p>Possibility of further revision of banking and even monetary mechanism artificially to prevent further deflation (June 18). Violent inflation ought to be vigorously opposed (May 28).</p>	<p>Due to open market policy of Reserve system, financial situation improved; bank deposits, loans and investments increasing; bank failures have almost ceased (June 15).</p>	<p>Thus far, more liberal credit policy of Federal Reserve banks has not resulted in any marked expansion of bank credit as whole (May 31).</p>	<p>With marked reduction in rediscounts and steady increase in number of banks clear of Reserve indebtedness, member banks building up reserves (June).</p>
<p>Stock prices erratic due to general apprehension regarding business (June 11). Firmness in stock market this week due to manipulative support of few volatile issues (June 18).</p>	<p>In opening days of June, bond prices advanced vigorously because of organization of bond pool by New York financial interests,—constructive development (June 15).</p>	<p>Due to sharply reduced earnings and lack of business improvement, corporate securities have failed to benefit from extremely easy money conditions (May 31).</p>	<p>Weakness in security markets indicates little confidence in early business revival; in May, bond market continued under pressure of discouraged selling (June).</p>
<p>Control of crude oil output strengthened by recent Supreme Court decision (June 11). Steel industry faces worst six months since became important industry (June 18).</p>	<p>Conditions serious in iron and steel industry; May daily average pig iron output smallest for 35 years; general industrial production at new low in April (June 15).</p>	<p>Steel ingot production, pig iron output, cotton consumption, and bituminous coal production declined more than normally during April (May 31).</p>	<p>In industries other than automobile, recent trend disappointing; textile industry, in particular, dull; shoe production likewise curtailed (June).</p>
<p>During May, freight loadings sharply lower than in April. Extremely light movement of heavy products, such as ore, coal, and lumber (June 18).</p>	<p>Probably no more helpful use could be made of funds of R. F. C. than to extend loans to railroads to enable them to buy in their depreciated bonds (June 15).</p>	<p>Sharp and steady decline in railway freight loadings in recent weeks indicates that trend of distribution is still unmistakably downward (May 31).</p>	<p>Distributive trade dull. Continued low volume of railroad traffic since first of year has intensified financial problems of railroads (June).</p>
<p>Remainder of year will witness generally declining trend in building. Efforts to hold rents at exaggerated levels one factor preventing recovery (June 18).</p>	<p>If present efforts to support bond market are successful, funds for new construction can be secured through sale of new issues (June 15).</p>	<p>Building contracts awarded in thirty-seven states in April totaled \$121,704,800 against \$112,234,500 in March; further increase during first three weeks of May (May 31).</p>	<p>Building slow, but showing somewhat more than seasonal gain; moderate rise due to public works construction; residential building nearly at standstill (June).</p>
<p>In April, ratio between prices received by farmer for his products and retail prices paid for living and production essentials was 52%, against 90% in 1929 (June 11).</p>	<p>Purchasing power of farmers abnormally low; in this depression purchasing power of farm products has declined to levels of 60 years ago (June 14).</p>	<p>During month ended May 15, farm products conspicuously weak; prices of hogs, wool, wheat, cotton declined sharply; cattle and hogs also down (May 31).</p>	<p>On May 1st, winter wheat crop estimated 441,000,000 bushels,—346,000,000 under last year's yield; cotton crop getting good start with weather generally favorable (June).</p>
<p>Prices are badly dislocated and maladjusted; these maladjustments are powerful factor in obstructing recovery of profitable business (June 18).</p>	<p>Based on price indexes of Warren and Pearson, exchange value of farm products in terms of manufactured goods lower than any time since long depression of 70's (June 15).</p>	<p>On May 15, Guaranty wholesale price index at 36.4 against 38.8 month earlier, and 48.3 year ago. Current figure marks new low level (May 31).</p>	<p>Price disparities did not improve during May. Copper, zinc, silk, wool, hogs, steers, pig iron, sugar, rubber, butter, vegetable oils reached new lows (June).</p>
<p>When we raised our tariff walls again, world decided it would co-operate with us no longer and retaliation resulted. Since that day, our fortunes on wane (May 28).</p>	<p>We are in fortunate position of having shipped home nearly all French gold holdings that can be withdrawn, and large part of all other foreign holdings (June 15).</p>	<p>Remarkable renewal of confidence in England; no improvement in France; business in Germany highly irregular; in Brazil business remains stagnant (May 31).</p>	<p>Value of current foreign trade of principal countries only 41% of 1929 figure, lowest in twenty years. Danubian situation critical (June).</p>
<p>Terrific contraction in productive activity and employment continues. Further readjustment of railroad wages now practically a certainty (June 18).</p>	<p>Prevailing low security prices most serious difficulty to be overcome before new projects can be financed, and workers called back to employment (June 15).</p>	<p>Proposals for unemployment relief are numerous; some action along that line is being given serious consideration by Congress and seems inevitable (May 31).</p>	<p>Farm wages have continued downward in season when they ordinarily advance. Tendency of farmers everywhere to use more "family labor" (June).</p>